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DEPARTMENT FOR AF/W PDAVIS, AF/EPS CTRIMBLE, EB/ESC
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SUBJECT: LIBERIA: ARCELORMITTAL INITIATES INFRASTRUCTURE
WORKS ON IRON ORE MINING CONCESSION

REF: A. 07 MONROVIA 1089

[1](#)B. 07 MONROVIA 780

[1](#)1. (U) SUMMARY: The world's largest steel company, ArcelorMittal, announced in December 2007 that it is increasing its investment in Liberia by US\$500 million to a total of \$1.5 billion. ArcelorMittal's Liberian subsidiary, Mittal Steel Liberia (MSL), has initiated preparatory activities at its mining concession site in Yekepa (Nimba County) and at the port of Buchanan (Grand Bassa County). Total expenditures to date exceed \$50 million. During a January 23 visit by Ambassador Booth to Yekepa, MSL Project Manager for Yekepa, Mrinal Majumdar, outlined progress on its infrastructure preparations for mining operations set to begin in 2010. END SUMMARY

[1](#)2. (U) MSL has initiated geological exploration and drilling at Mount Tokadeh and plans to proceed in a phased manner to assess other western area reserves in Mt. Gangra, Mt. Beeton, and Mt. Yulliton. MSL is already building access roads and laboratories for sampling drilled cores and will follow soon with construction of a power plant, utility facilities and installation of a concentration plant. (Note: According to Majumdar, the old Blue Mine site abandoned by LAMCO had 67% iron ore content while Mt. Tokadeh has an iron ore content of 58% and therefore must be concentrated for export. End note).

[1](#)3. (U) MSL has completed the rehabilitation of 60 homes at its Yekepa base - site of the Liberian-American-Swedish Minerals Company (LAMCO) operation from 1963-1989. About 150 houses in Yekepa and 80 in Buchanan will be ready by June 2008 (Note: at its peak, LAMCO provided 1,450 houses for employees. End note). MSL will also rehabilitate or develop infrastructure facilities such as fire and water services, sewage treatment, a power distribution network for Tokadeh and Yekepa, workshops, warehousing, maintenance facilities, a Yekepa airstrip and local road networks. MSL has graded the road from Saniquellie to Yekepa and plans to pave the entire Ganta-Yekepa road by the end of 2009 (note: the USG through USAID funded drainage and bridge repair work on the Ganta-Saniquellie road in 2007. End note).

[1](#)4. (U) Three schools are operating in the MSL concession, and the company has completed renovation of a 65-bed hospital. The hospital treats patients from as far away as Ganta and Guinea and conducts ambulance outreach to small villages throughout Nimba county. The hospital only has one doctor and MSL is trying to recruit additional staff. (Note: There are an estimated 122 doctors in Liberia and most of those are in Monrovia. End note).

¶15. (U) Work on the port of Buchanan and the railroad from Buchanan to Yekepa is gearing up. According to Majumdar, roughly 70% of the 267km long railroad line is in relatively good shape, but most ties and drains will have to be replaced, along with some bridgework and expansion to handle 130-car trains. (Note: LAMCO trains were only 20 cars long but MSL expects to have five times the capacity. In addition, the railroad may also prove useful to BHP Billiton's large exploratory concession 40km across the border in Guinea. End note). Rehabilitation of the port including ore handling/unloading facilities and state-of-the-art ship loading facilities for "Cape-size" vessels is just getting started.

¶16. (U) Currently MSL employs over 600 persons directly and through contractors at Buchanan and Yekepa. The geological survey is conducted by Met-Chem Inc. (Canadian subsidiary of US Steel) and the drilling by Geosol (Brazil). The Engineering, Procurement and Construction (PCM) firm for the reconstruction of the railroad and Port of Buchanan is overseen by Odebrecht (US) and carried out by a consortium of three companies: Sandwell (Canada) and Met-Chem along with Projen (Brazil). MSL estimates that it will ultimately employ 3,500 persons directly and create 20,000 additional jobs in the country via contractors and suppliers.

¶17. (U) MSL expects to complete all infrastructure necessary to begin mining operations by end-2009. Initial exports will be in the range of one million tons of iron ore in 2010 but will increase to a maximum capacity of as much as 15 million tons per year as early as 2014.

¶18. (SBU) The agreement reached by MSL and the GOL provides that the firm pays 4.5% tax on the market value of exported

ore plus income tax and dividends to the GOL. MSL also contributes \$3 million per year to community development. The GOL holds a 30% stake in MSL and has the same share of seats on the MSL Board of Directors. (Note: Parent company Arcelor-Mittal is incorporated in Luxembourg while Mittal Steel Liberia is incorporated in Cyprus. End note).

¶19. (SBU) Post has conducted advocacy for MSL on the basis of MSL's expected imports of U.S.-manufactured equipment for use in its mining operations. The \$300 million rail rehabilitation is overseen by Florida-based Odebrecht. Pittsburgh-based Koppers and Burke Parsons of West Virginia are supplying railroad ties for the project. Progress Rail (a division of Caterpillar in the United States) has bid on a contract for iron ore transport wagon rehabilitation. MSL expects to order \$15 million in equipment in 2008, including haul trucks, motor graders, compressors, port handling equipment and vehicles, some from Caterpillar dealers in the United States.

¶10. (SBU) COMMENT: Before the war, mining accounted for 22% of Liberia's GDP. Mittal's investment is already having a positive impact on the rural population. The \$3 million community development grant for use in and around the concession area is an unprecedented reform, and is included as a line item in the national budget. The investment is already serving as an anchor for other investments in Grand Bassa and Nimba. END COMMENT.

Booth